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## Settlement to Pay IUD Claims Leads to '87 Loss at Robins.

A.H. Robins Co. Inc., the Richmond pharmaceutical company that has been embroiled in a legal controversy over the Dalkon Shield intrauterine device for most of the past 15 years, yesterday reported a loss for 1987 of \$1.6 billion, compared with a profit of \$81.8 million (\$3.38 per share) last year.

The loss stems from the estimated cost of the company's settlement of the outstanding Dalkon Shield liability claims.

Under the terms of the company's Chapter 11 reorganization plan, which includes a takeover of the firm by American Home Products Corp., Robins will set aside \$1.75 billion to pay Dalkon Shield claims. In addition, the firm reported \$44.2 million for Chapter 11 costs, litigation expenses and settlements.

The company said it had operating income for the year of \$168.5 million, down 1 percent from \$170.2 million last year.

Revenue for the year rose 8 percent, to \$855.8 million from \$789.9 million in 1986.

Most of the Dalkon Shield liability

claims were charged to fourth-quarter earnings, which left Robins with a loss of \$1.7 billion for the last three months of 1987 compared with a \$26 million (\$1.08) profit for the same period last year. Sales for the quarter were \$235 million, up 11 percent from \$210.8 million a year ago.

■ **Hadron Inc.**, a professional services and telecommunications company based in Fairfax, yesterday reported that it earned \$302,021 (2 cents) in its third quarter ended Dec. 31, down slightly from \$333,979 (2 cents) for the same period last year.

Hadron officials said the decline was due to delays in the startup and funding of contracts it had already received.

Revenue in the quarter fell 10 percent, to \$6.3 million from \$7 million a year earlier.

In the first nine months of its fiscal year, Hadron had a \$1 million profit (7 cents) on revenue of \$19.7 million, up 8 percent from profits of \$892,020 (7 cents) on revenue of \$18.3 million for the same period last year.

■ **Diversified Retail Group Inc.** of Rockville, which owns a chain of athletic footwear and confectionery stores in the region, yesterday reported a loss of \$8,525 in its third quarter ended Dec. 31, compared with a loss of \$3,661 for the same period last year.

The company said that the loss was typical for the season in the footwear industry, in which sales are

generally strongest in the spring and summer months.

Revenue for the quarter rose 33 percent over last year, to \$2.2 million from \$1.6 million.

In the first nine months of its fiscal year, Diversified Retail had a profit of \$149,211 (7 cents), up 36 percent from \$109,849 (5 cents) a year ago. Revenue in the nine-month period rose 46 percent, to \$7.6 million from \$5.2 million.



# Los Angeles Times

Thursday, June 16, 1988

PR/IN/IM-02

## U.S. Probe Ruined Rival of Wedtech

### Army's Criticisms of Firm Parallel Complaints Wallach Sent to Meese

By ROBERT L. JACKSON and RONALD J. OSTROW,  
*Times Staff Writers*

WASHINGTON—A major competitor of the scandal-torn Wedtech Corp. was subjected to a highly unusual federal investigation after Wedtech consultant E. Robert Wallach wrote a series of memos to his close friend Edwin Meese III that strongly denounced the competing defense contractor.

Documents obtained by The Times show that allegations contained in Wallach's memos to Meese bear a striking parallel to language contained in a later report by Army investigators that was highly critical of the Wedtech competitor, Garcia Ordnance Corp. of Houston.

The government investigation was undertaken by the Army's Criminal Investigation Division despite highly favorable reports about the company by military procurement officers who were familiar with the firm's work.

#### Firm's Officers Acquitted

The five-year inquiry resulted in the indictment of a dozen officers of Garcia Ordnance, but 11 of them were acquitted last year in a case that the presiding judge said never should have been brought to criminal court. The troubles eventually caused the once-profitable company to close its doors.

It could not be determined whether Meese, who was counselor to the President at the time, passed along any of Wallach's memos to Army investigators or used any influence to instigate the Garcia investigation. Nor could it be learned whether efforts by Wallach directly led to the extraordinary investigation.

In interviews and court testimony, however, figures in the current Wedtech corruption trial in New York and at least one Army procurement officer involved in the Garcia case have referred to pressure from Washington to investigate competitors of Wedtech.

Mario Moreno, a former Wedtech executive, testified recently in the Manhattan trial that "we asked to have" competing defense contractors "investigated for any skeletons in the closet."

Although he was not asked about

### Reagan Wants Special Counsel Probe of Wright

By JIM GERSTENZANG,  
*Times Staff Writer*

WASHINGTON—President Reagan, in his first on-the-record comments on the internal House investigation of Speaker Jim Wright (D-Tex.), said Wednesday that an independent counsel should be called in to conduct the sensitive investigation into money Wright earned from the sale of his book and allegations about other activities.

"I think everyone would feel that it was more proper if it was done by an investigator outside—an appointed investigator," Reagan said.

In an interview in the Oval Office with The Times and six foreign newspapers, Reagan also gave strong

Please see **PROBE**, Page 19

Garcia Ordnance specifically, Moreno said that sources close to the White House, including then-Meese deputy James E. Jenkins, informed him of imminent investigations or indictments of competitors.

The office of independent counsel James C. McKay, who is investigating Meese, is known to be aware of the Garcia matter but refused to comment on it. If there is

Please see **GARCIA**, Page 16



# GARCIA: Rival of Wedtech Ruined

Continued from Page 1

evidence that Wallach's memos instigated the Army inquiry, it would raise serious questions about whether his close ties to Meese allowed him to use the criminal justice system for private gain.

Meese attorney James E. Rocap said that his client did not pass along any of Wallach's memos and "never passed on any memoranda to any person for sending to any other agency." He denied that the attorney general "had anything to do" with the Garcia case, although many of the Wallach memos were sent to Meese's home in suburban Virginia, as well as to his White House office.

Jenkins, reached at his home in Carmichael, Calif., said that he does not remember hearing of Garcia Ordnance or receiving any memos from Wallach, although some of them were addressed to him and found in White House files. As Meese's deputy at the White House, Jenkins had access to virtually all of Meese's documents.

## Army Won't Comment

Wallach's lawyer, George W. Walker, said that his client "has no idea" whether his memos to Meese instigated the Army CID inquiry, adding that Wallach never contacted any Army investigators. Army officials repeatedly have refused to answer questions about the Garcia investigation or how it originated.

But military documents show that much of the criticism of Garcia made in parts of an Army Criminal Investigation Division report dated June 1, 1983, were highly critical of the company along lines that closely paralleled arguments made by Wallach in memos written to Meese in 1981 and 1982.

In another example of the many unusual elements of the Army investigation, the documents show that Garcia Ordnance received exceptionally harsh criticism from Army investigators at a time when Army contracting officers who had worked with the company on a daily basis were reporting that the small firm was competent and professional.

For instance, after charges by Wallach that Garcia Ordnance had insufficient resources to produce engines and that the firm's founder had "no experience in this field," the Army CID's 1983 report contained similar criticisms, characterizing Garcia as an inexperienced firm that lacked sufficient

resources.

At the same time, however, Garcia was being highly praised by Army engine specialists at Ft. Belvoir, Va., in a 1982 report that said the firm was "uniquely qualified" for engine work, despite the fact that it was only 2 years old.

The Army CID report said also that the company's founder "appears to have no background or capability related to the MSE [military standard engine]"—a charge that conflicted with the view of other military specialists—and that the firm "has only 5,000 square feet of space, little or no direct production capability and few production personnel."

This assessment was made only a month after another positive Army procurement report, dated May, 1983, said that Garcia was nearing completion of a new plant near Edinburg, Tex., and already had "an excellent plant facility at Houston with 5,000 square feet of space."

Further conflicting with the CID charges, the 1982 Ft. Belvoir report said that "Garcia Ordnance, because of its experience, is the only company which could respond within the critical time frame to incorporate production method and technique improvements . . . and produce the overall cost reduction of these engines while preserving performance and reliability."

After listing additional high marks for Garcia, the February, 1982, report concluded: "At this point, no other contractor has this uniqueness."

The company's expertise was attributed largely to its president, Ronald J. Bolden, whose father had helped develop the basic military standard engine, a device used by soldiers in the field to power generators, pump water and produce light.

Wallach charged in his memos that Garcia seemed to be getting special favors from the Army because of what he described as a longtime close relationship between Bolden and Thomas Keenan, procurement director of the Army's St. Louis division in charge of engine contracts.

In reflecting this same charge in their report, which was dated several months after the allegation appeared in Wallach's memos, the Army investigators termed Keenan's award of an engine development contract to Garcia "highly questionable."

Later, the investigators reported

that Bernard Ehrlich, an attorney for Wedtech and a general in the New York Army National Guard, believed that there was a "collusive relationship" between Keenan and some executives of Garcia Ordnance.

No "collusive relationship" between Keenan and Garcia Ordnance ever was proven.

Still, the Army CID report said: "It is difficult for us to understand how such a company could secure a sole-source contract to redesign the MSE family of engines, and presumably be in line for a multi-million-dollar . . . production contract." The report declared that Wedtech could have performed the same work.

But in their positive assessment only a month before this severely critical report, Army procurement officers praised Garcia Ordnance, saying that the company "has or will obtain all the competent personnel with expertise to satisfactorily perform the proposed work [and] has demonstrated an in-depth knowledge of the most technical aspects" of engine production.

## Contracts on Schedule

Garcia had 33 separate government contracts, "of which 30 are on schedule or ahead of schedule," according to this report, known as a pre-award survey. The May, 1983, report noted that Garcia "has been furnishing parts for military engines to the government since the company was established."

Officials of the Army Criminal Investigation Division rejected requests to provide a full copy of its negative June, 1983, report on Garcia and refused to comment on its apparent discrepancies with the assessments by Army procurement officers. Nor would Army CID officials comment when asked whether Wallach's memos had helped to initiate their inquiry.

Keenan and other procurement officers said in interviews that Army investigators had never questioned them about the allegations raised in the CID report. In fact, they said that they did not even know the report existed until contacted by The Times.

In separate interviews, Keenan and Bolden denied that they were ever "in collusion" and said they were never even close friends, as Wallach and Army investigators suggested.

Bolden was convicted last year on a lesser charge that he submit-

Please see GARCIA, Page 17



# GARCIA: Competitor of Wedtech Investigated

Continued from Page 16

ted five false documents to the Army but was cleared of far more serious allegations that he had conspired to defraud the government.

The presiding judge, in denouncing the entire trial as a waste of time and government resources, sentenced Bolden to four months' probation. The 11 other Garcia officers indicted in the case were acquitted on all charges, which stemmed from a central allegation that Garcia had engaged in fraud in its production of Army engine crankshafts.

Keenan, who left the Army before the fraud investigation, and Garcia executives believe that the crankshaft issue never would have arisen if the CID had not opened its initial inquiry, which apparently had nothing to do with the fraud case. What did lead to that case, they believe, is the intense scrutiny that resulted from the initial inquiry.

In 1985, two years after the CID's report, Army investigators received a tip that some engine crankshafts produced by the company had been made of iron rather than steel, contrary to Army specifications. It was this finding that caused Army investigators, working with the FBI and a Justice Department prosecutor, to seek and obtain criminal charges that top officers of Garcia had conspired to defraud the Army.

## Probe Called Unusual

One Pentagon official in the Defense Criminal Investigative Agency, speaking on the condition that he not be identified, said it was unusual for the CID to undertake an inquiry involving a defense contractor like Garcia Ordnance.

The official said that his own investigative unit normally looks into contractor fraud cases involving the Army, Navy and Air Force, adding that the Army CID mainly performs background checks on prospective Army appointees and investigates "general crimes."

"This should have been our case," said the official, who did not know why it was handled by the Army.

The Army kept such close watch over the company's work, acquitted Garcia executive Bill Parker said, that officers had even begun to criticize such things as paint jobs on parts of Garcia-produced engines.

"The mood out there [at the Army procurement offices in St. Louis] turned hostile. The model contractor in December was a bum in January," Parker said, referring to what he described as a seemingly overnight change in the Army's attitude toward Garcia in one month from 1983 to 1984. "Why? Because we were jumping up as a competitor to Wedtech."

Garcia became a serious Wedtech competitor on Dec. 16, 1983, when it was notified that it had been certified as a minority-operated firm eligible for special government contracts.

Bolden, in a recent interview, blamed Wedtech and Meese for having inspired the case against Garcia Ordnance. He said that, when dealing with Army procurement officials in St. Louis in 1982 and 1983, he was told that "Meese was behind Wedtech and didn't want Garcia to get any more contracts." He said that the source of this information was either James H. Beckham, an Army contract officer, or one of his aides, Tom Cygan.

Beckham and Cygan, in separate interviews, denied that they had ever mentioned Meese's name to Bolden, saying they never heard that Meese had any involvement with the matter.

Armando A. Garcia, the company's founder and chairman, also did not recall any mention of Meese's name, but he said Bolden reported to him at the time that "Wedtech is going to get the [engine] contract because the White House is involved."

Wallach has been indicted on charges that he accepted hundreds of thousands of dollars from Wedtech in an improper attempt to influence Meese, although Garcia Ordnance is not mentioned in the indictment. Wallach is scheduled to be tried with two associates later this year.

Wedtech received a no-bid \$32-million Army engine contract in 1982 with strong backing from Meese aide Jenkins, according to testimony in federal court earlier this year and at Senate hearings last fall conducted by Sen. Carl Levin (D-Mich.), whose Senate Governmental Affairs subcommittee on government oversight released nine Wallach memos to Meese numbering 25 pages.

A transcript of the little-noticed trial of Garcia executives in Texas last year shows that Beckham, the Army contract officer, testified that Wedtech was concerned that Garcia might eventually be awarded some of its Army engine work but added: "There was no pressure on me to knock them [Garcia executives] out."

Nevertheless, Beckham testified that he had heard Garcia might lose its Army engine work in an atmosphere rife with "political maneuvering... and pressure."

When asked to elaborate in a recent interview, he said that the office of the Army secretary in Washington often would pass on questions to him about the qualifications of defense contractors. He said that the questions often originated from Congress or "other politicians," perhaps at the White House, although he did not recall

Meese's name being mentioned.

Although he did not cite Garcia during his testimony in the New York trial, former Wedtech executive Moreno did mention two other competitors that he had been told would be investigated or indicted. But these firms, Bay City Marine of San Diego, Calif., and Medley Tool & Model Co. of Philadelphia, denied that they were investigated or indicted at the time.

Despite the fact that many of the allegations by Wallach and Army investigators were never proven, Garcia Ordnance and its executives were promptly barred from doing business with the government, even before the trial. Because the government was the firm's sole customer, company officers said, this forced Garcia to close its doors in 1985.

Expressing disgust with the weakness of the case and the large number of persons who had been indicted, U.S. District Judge Ricardo Hinojosa told the prosecutor in the trial, Assistant U.S. Atty. Harry Lee Hall, that the case never should have come to trial.

Staff writers William C. Rempel in Washington, Eileen V. Quigley in New York, Dan Morsin in San Francisco and Jane Fritsch in San Diego contributed to this story.



# Even if it's all Greek, it can make sense

## Globalink's computers translate complex languages into English



Globalink translator Yin Lu Boyd plugs away at machine-made Mandarin.

To the uninitiated, the sentence-long heap of characters glowing on the computer screen is an unintelligible mass of gibberish — the kind of thing the 100 or so proverbial monkeys-locked-in-a-room might type during their centuries-long quest to replicate the works of Shakespeare.

"Sovetska4 kosmonavtika rasvivaets4 odnoremenno v dvux fundamental6nyx napravleni4x," the screen reads.

But at the touch of a button, and a wait of a few milliseconds for the computer to regurgitate the data, a second sentence appears on the screen, this time in crystal clear, if somewhat stilted, English.

"Soviet cosmonautics is developed simultaneously in two fundamental directions," the screen reads, providing a proximate translation of the Romanized Russian that had previously been on the screen (the 4's, 6's and other numbers are used in place of Cyrillic letters that do not appear in the Latin alphabet).

"This is an enormous step for translators," says Ilia Kimmelfeld, an emigre from the Ukraine who is working at the computer — the first personal computer ever to provide a workable translation of his native language.

Recalling his days at the Kiev Institute of Foreign Languages in the Ukraine, where he sometimes needed to soak his hands in hot water after hammering out translations on

a manual typewriter, Kimmelfeld said he hopes to use the system to help him pare down the "thousands and thousands of pieces of paper" he translates on Soviet aeronautics each year.

Kimmelfeld's work is replicated in other languages on other desktops in the offices of Globalink Language Services, Inc., a language translation bureau on the outskirts of Fairfax that is establishing itself as a pioneer in the field of computerized translation.

In one office, Yin Lu Boyd, an emigre from Shanghai, types away using a computer code that helps transliterate English letters into the complex pictographic characters of Chinese, and then allows the computer to translate the Chinese into English. In another office, Patty Schmid puts the finishing touches on a German translation program, and down the hall other workers are working in French, Spanish and Italian.

"We have our own U.N. over here," Globalink general manager George Kulstad jokes, noting that most of the translators come from foreign countries.

And Dominic Laiti, who serves as president of Globalink as well as its parent corporation, Hadron Inc., exults that the system is a way of providing computerized translations "for end-users who are not necessarily people in the translation community, government agencies or academia."

Computerized translation has been around for a long time — usually requiring bulky computer hardware and prohibitive costs. Some computer systems cost as much as \$200,000 to \$300,000 each year to operate, on an annual lease basis. And the cheaper systems that have been available tend to provide fairly primitive, word-for-word translations.

With its series of translation software, meant for IBM-compatible personal computers, Globalink seems to be avoiding those pitfalls. The price: \$1,995 for a series of 18 to 20 diskettes or floppy disks that can work with any computer with 512K of memory and a 20-megabyte hard disk. The speed: up to 350 words per minute in one language direction (English to Italian, for instance; to go from Italian to English would require another set of disks).

And the output, while occasionally awkwardly worded, is a closer approximation to written language than most other systems on the market, according to some computer experts who have reviewed the system.

"For businesses that employ translators or need to work in a foreign language, (Globalink's system) represents a startling breakthrough in functionality and price," says Edward Hall, a computer reviewer for *The Bottom Line*, a Canadian business magazine. (Canada is one of the first major targets for Globalink, because of the need for rapid English-French translations.)

In a recent review of the system, Hall complained that the disks use European French to the exclusion of Quebecois. And he suggested that the computer-produced "rough draft" should later be polished by an experienced translator.

But he added that the system "is really quite simple and can be mastered quickly," adding that it has overcome the flaws of previous systems which have been "expensive, cumbersome and limited in application."

Ray St-Maurice, who, as president of Groulx & Associates is the system's Canadian distributor, is less equivocal.

"We've been looking for computer-assisted translation software for the past two years, and we've found that this system outperforms most of the mainframes," says St-Maurice, whose company is partially owned by the Wang Corp. "Of course it's not going to be perfect, but then again you're not paying \$100,000 to use it. And when we put it up against a mainframe recently, we found that there were only two words of difference in a page of material, which (Globalink) produced at 45 seconds instead of the 14 minutes it took the mainframe."

Although the first Globalink disks have only been released for the public in the past six months, the program's roots go back to

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Washington  
BUSINESS JOURNAL™



# Globalink's computers unlock the foreign language barrier

the mid-1950's, when Georgetown University and IBM took part in a federally funded project to develop a computer program that would translate Russian into English. The funding agencies — and potential clients — included the Central Intelligence Agency, Atomic Energy Commission and the Pentagon.

Participating in the project was Georgetown assistant professor, Bedrich Chaloupka, a recent emigre from Czechoslovakia who spoke fluent Russian, German and English as well as his native Czech. ("I was lucky I got the job," he jokes. "At home, I studied politics and social studies, and what good could that do? Back then, all it could bring was the gallows.")

Initially, the program registered a modest success, with Georgetown professor and project coordinator Paul Garvin developing linguistic algorithms for 270 simple Russian sentences and then using those formulae to translate similarly structured sentences.

"That was a very significant first step," Chaloupka recalls. "After that experiment, it seemed that success was right around the corner."

But Garvin's program, which took two years to develop, marked the zenith of the Georgetown project, and it proved little help in translating the highly complex scientific and military texts that the government was interested in.

In the next 10 years, the government pumped \$40 million into further developing the project, but to no avail. Using Garvin's work as a jumping-off point, researchers across the country continued linking algorithms to sentences, with one linguist eventually designing 650,000 different algorithms.

But such systems were far too bulky to be used in the rapid-fire translation work that the military was hoping for. And the systems still could not handle all the complexities of translation.

"Language is not a mathematical formula," Chaloupka explains. "The possible combinations of words are infinite; they could go on forever. There are so many combinations that if you try to find algorithms that describe them too specifically, your system will be totally unmanageable."

The government eventually came to the same conclusion. In 1968, federal funding for the project was cut off, with the National Science Foundation issuing a massive report saying that computerized translation of foreign languages "without recourse to human translation or editing" was virtually impossible.

"People in the business refer to that report as 'The Undertakers' Book,'" Chaloupka says. "It nearly marked the death of all



George Kulstad boasts Globalink has its own "U.N."

research." IBM's involvement in the project disappeared immediately and, with little outside support, Georgetown's interest too eventually waned.

But Chaloupka could not give up. "When you're involved with computers, you're basically involved with problem solving," he says. "And here was a problem that needed to be solved. I got hooked on it."

Chaloupka decided to go back to the drawing board — before Garvin, before the 650,000 algorithms. He decided to link the program not to sentences but to more elemental building blocks of language.

Because of the competitive nature of the field, Chaloupka is reluctant to be too specific about his work, other than to say he eventually developed a system based on the "simplest components" of languages, using algorithms "a hundred times smaller" than those of some of his competitors.

In 1970, Chaloupka and two associates from Georgetown (who have since returned to academia) approached Dominic Laiti, who was then running a computer consulting company called Xonics. Seeing the profit potential of a successful program, Laiti began funding Chaloupka's research and development costs, and when Laiti bought Hadron in 1979, he brought the translating team along.

Over the years, Globalink has funded its R&D projects by running a translation bureau, using 800 freelancers to translate up to 130 pages a day in almost any language imaginable — including ancient Turkish and several dialects from the African bush

country. Those services have brought in an estimated \$60,000 a month.

In the meantime, Chaloupka has plugged away at his computer, developing a prototype program to translate Russian into English for the IBM 360 mainframe. And when IBM came out with its personal computer in the late 1970s, Chaloupka began exploring ways of fitting his system into a smaller format.

Globalink finally unveiled its first personal computer system at a high-tech convention in Las Vegas last December. It now has two-way translation programs for Spanish and French; German is scheduled to be ready by the end of this year; Italian is scheduled for early next year, with Russian and Chinese coming soon afterwards.

Laiti adds that Globalink is now working on a joint venture with educators in India to produce a Hindi-English system and is negotiating a contract with an unnamed "governmental customer" to develop a Farsi-English program, which could help translate documents from Iran, Pakistan and Afghanistan.

"You can use your imagination to figure out who would be interested in that," he says.

Looking ahead to the unification of Europe in 1992 and the growing influence of the Pacific Rim, Chaloupka adds that "when you think about the millions of words that need to be translated every day, the prospects for this are enormous. Better systems might come along — there's always somebody out there who can build a better mousetrap — but this is the wave of the future."



PR/TW/JM-04

## *A Bad Veto*

**I**T ISN'T easy to be a whistle-blower. As many examples attest, you jeopardize your job. Rules exist against retaliation, but they're not the sort a prudent soul would want to bet the rent on. The government's designated whistle-blower protector, K. William O'Connor, was asked in 1984 what advice he would give a would-be member of the club. "I'd say that unless you're in a position to retire or are independently wealthy, don't do it," he said.

In each of the last two Congresses, efforts were made to increase whistle-blower protections. In April of last year a House Post Office and Civil Service subcommittee reported out a bill. The administration did not like some parts of it, and negotiations followed. There were similar negotiations on the Senate side both before and after the Senate passed a somewhat different bill of its own in August.

In early October, apparent agreement was reached. Joseph Wright, then deputy and now acting director of the Office of Management and Budget and the administration's chief negotiator, signed off on it. Letters to sponsoring Reps. Pat Schroeder and Frank Horton said that "while the bill does not provide everything we wanted, it will enhance the protection of whistleblowers—a goal which the administration shares with you," and the cautious veteran Mr. Horton assured the House the compromise on which it was being asked to vote was "acceptable to the . . . administration." The House then passed it 418 to 0 and the Senate by voice vote.

Now, however, with Congress gone and unable to override, the president has pocket-vetoed it, partly as poor personnel policy and partly on constitutional grounds. The bill would have shifted the burden of proof in cases where employees claim they were disciplined for whistle-blowing. To win on appeal, the employee would have had less to prove than now, the agency more. The president said that would interfere with the freedom to manage the government.

The bill would also have empowered a strengthened special counsel to represent disciplined whistleblowers on further appeal to the courts. The president, on the advice of the attorney general, said this would be unconstitutional and ineffectual, in part because it would have the government suing itself, and the courts would rightly throw such suits out.

The bill's sponsors reply that special cases in which the government "sues itself" already exist. (It is also interesting that the president would veto a bill because he thinks it is unconstitutional; isn't that what Michael Dukakis did in Massachusetts on a bill having to do with the Pledge of Allegiance?) As to burden of proof, the sponsors say it is far better to err on the weaker side of the whistle-blower than the strong side of the government. As the president himself observed in his memorandum of disapproval, whistle-blowing "contributes to . . . effective government. Such reporting is to be encouraged, and those who make the reports must be protected."

It was a bad veto that sends a message the administration can't have meant and should regret.



# OPINION

ROY H. PARK Chairman  
MARK J. CONRAD Editor and General Manager  
BILL MARDIS Managing Editor  
Page 4 September 12, 1990

PRJWFM-05

## WHAT WE THINK

### Hayes is pulling government's leg

Chuck Hayes is having the time of his life, all at the expense of Justice Department agents, judges, court officials and the FBI.

Hayes is a brilliant man, despite having what some people perceive as an abrasive personality. And he enjoys nothing better than pulling somebody's leg, especially if it's attached to a bureaucrat.

We don't know for sure if the \$45 worth of discarded computer equipment Hayes purchased has any secret information in it. But the bully tactics the government has used to recover the tapes have not polished its image.

There's nothing a Justice Department

bureaucrat enjoys more than to think all operations surrounding his office would make fodder for a compelling paperback novel. And FBI agents believe the badge they flash has the jolt of a bolt of lightning.

Hayes is milking the secret computer information for everything it's worth. And knowing him as we do, there's no doubt he's sitting back smiling at the childlike frolics of the FBI and their ilk.

In our opinion, the Justice Department sleuths should shut their attaché cases and direct their pursuits to fighting real crime. A lot of taxpayers' money is going down the drain while Hayes has a good laugh.



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# Congress to investigate sale of secrets with computers

By David L. Baker

South-central Kentucky bureau

SOMERSET — Congressional investigators are planning an investigation into the accidental sale of government secrets with surplus computer equipment by the U.S. attorney's office in Lexington.

Meanwhile, the U.S. Department of Justice has issued new guidelines on disposal of computer equipment to prevent such a snafu from occurring again.

A House subcommittee has

asked the federal General Accounting Office to look into the case of Charles Hayes, a Nancy salvage dealer who bought the surplus computer equipment for \$45.

Hayes says officials with the House Judiciary Committee are preparing to subpoena him to testify about the case. "I told them I'd be more than willing to accommodate them," he said yesterday.

The computer memories, which

## Inside

Exxon cleanup efforts did more harm than good in some parts of Alaska. Close-up, Page A3.

Ann Landers	D2
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Vol. 8, No. 259

34 Pages

## INQUIRY: Sale of secrets sparks congressional investigation

### From Page One

contained the most sensitive information generated by the U.S. attorney's office in Lexington during the last six years, were not properly erased before being sold.

The GAO decided to investigate the case after being contacted by Rep. Bob Wise, D-W.Va., chairman of the House Subcommittee on Government Information, Justice, and Agriculture.

"We're basically at the beginning of this," said GAO spokesman Steve Schwartz. "It's basically to see what happened in the case."

Officials have not decided how far to take the investigation. "It's unclear at this point what scope the investigation will take. We don't know if it will require a hearing; that depends on the GAO's find-

ings," said Wise's press secretary, Rodney Blackstone.

House Judiciary Committee Chairman Jack Brooks, D-Texas, could not be reached for comment yesterday.

U.S. attorney's offices throughout the United States have been warned not to repeat the mistake.

"The Department of Justice has decided on leaving no room for error and has issued new guidelines on disposal of computer equipment in the future," said Justice spokesman Michael W. Robinson.

In the future, he said, all hard disc memory units will be destroyed rather than erased and sold with surplus computer equipment.

In Hayes' case, a Lanier computer technician tried to erase the

memory with a magnetic screwdriver. Somerset resident Jim Freeman said he was able to tap into the improperly erased hard discs but did not rummage through the information.

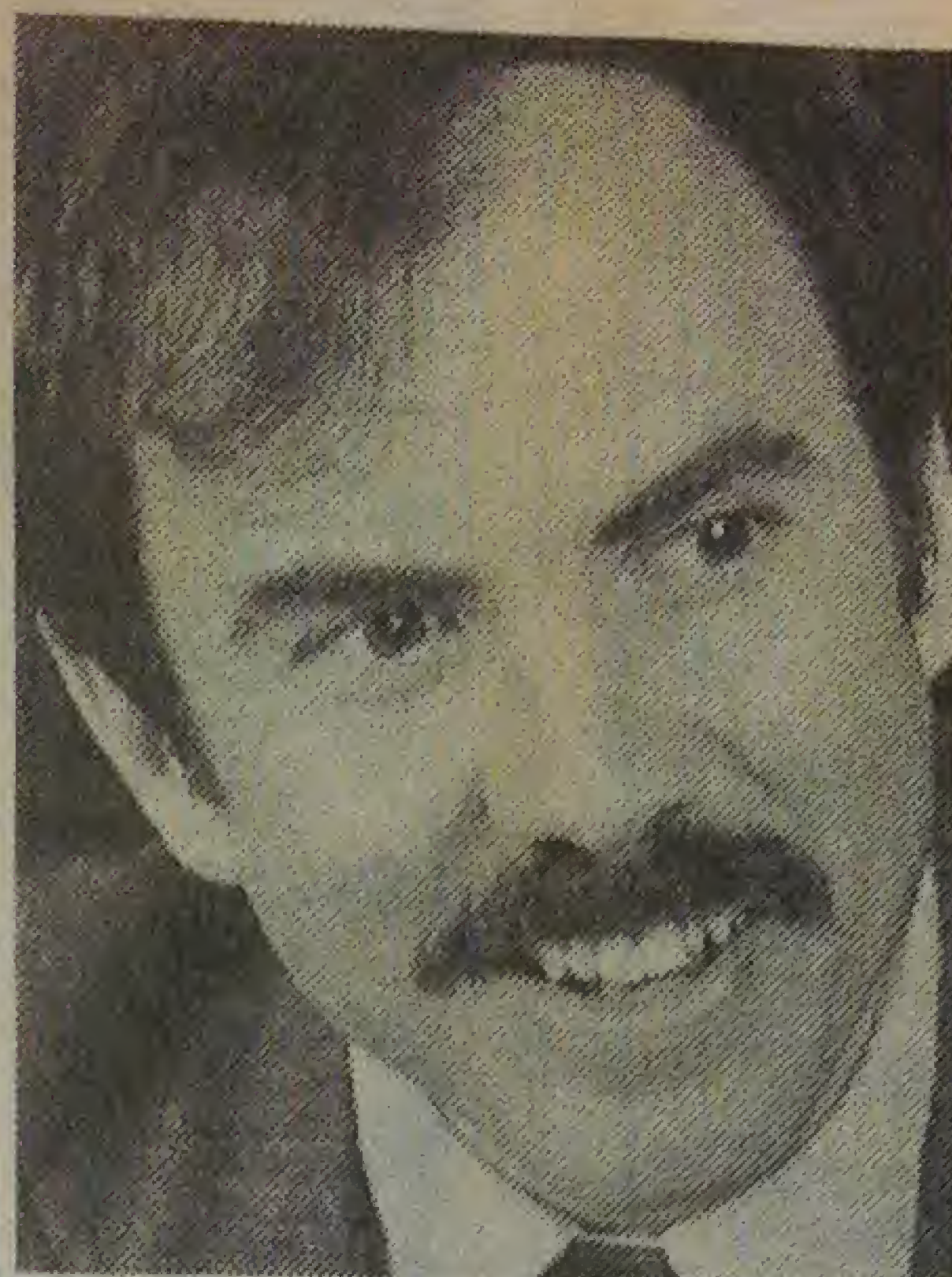
The U.S. attorney's office in Vermont is planning to sell its Lanier computer system as surplus. An information specialist in the office who declined to give her name said all memory units were being sent to Washington for disposal.

In Rhode Island, U.S. Attorney Lincoln Almond said precautions were being taken to avoid repeating the Kentucky mistake in the sale of IBM word processing equipment from his office.

The system was used for the last six years to store information about the Organized Crime Strike Force. "We wanted to make sure we didn't have this problem," Almond said.

FRONT PAGE  
LEXINGTON  
SEP 18, 1990  
HERALD LEADER





REP. ROBERT E. WISE JR.  
... cites lack of computer security

## GAO Faults Release of Secret Data

*Justice Dept. Errors  
Could Harm Probes*

By Sharon LaFraniere  
Washington Post Staff Writer

The Justice Department may have compromised sensitive investigations and jeopardized the safety of some undercover agents, informants and witnesses by inadvertently releasing computerized information, the General Accounting Office has found.

In a report to a House subcommittee, the GAO, the investigative arm of Congress, said it uncovered "appalling details" of the department's failure to protect its secret computer files. "Our investigation leads to the unmistakable conclusion that at present, one simply cannot trust that sensitive data will be safely secured at the Department of Justice," Howard G. Rhile, director of the GAO's information systems division, testified at a subcommittee hearing last week.

The GAO's investigation followed press disclosures in September that the department had mistakenly traded away a federal prosecutor's highly sensitive computer files for \$45. While auctioning off surplus equipment, the department sold computers from a U.S. attorney's office without first erasing electron-



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Rhile said another mishap, which he did not describe, forced a different U.S. attorney's office last month to caution federal and local law enforcement officials that "sensitive data that could potentially identify agents and witnesses might have been compromised."

"We found patterns of neglect and inattention nationwide that parallel the circumstances that allowed the Kentucky incident to occur—deficiencies that we pointed out to Justice in 1988 and 1989," Rhile told the House Government Operations subcommittee on government information, justice and agriculture. In two earlier reports, the GAO said the Justice Department had failed to analyze security risks in its new computer system and to adequately prevent unauthorized access to its computer files.

Rhile said Attorney General Dick Thornburgh should immediately act on the GAO's latest recommendations "because of the seriousness of the situation and the possibility of loss of life." The GAO urged the department to identify all surplus computer equipment sold, determine whether it contained sensitive information and prepare a "damage assessment."

Harry H. Flickinger, the department's assistant attorney general for administration, told the subcommittee he has no evidence that unauthorized releases of information have harmed investigations. But he added, "Of course, it is true for us



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Flickinger said he realized the seriousness of the Kentucky incident and has sent teams of security specialists to nearly every federal prosecutor's office. He said he was not satisfied with the department's efforts to ensure compliance with its own computer security policies and is asking for more staff.

Rep. Robert E. Wise Jr. (D-W.Va.), who chairs the subcommittee, criticized the department for not fully complying with a 1987 law that requires federal agencies to protect against the loss or misuse of sensitive computer information. "We are spending billions of dollars each year to investigate and prosecute cases. It is money wasted if prosecutions are compromised because of security deficiencies and irresponsible if people's lives are endangered," Wise said.

3/26/91



# Sold computers' data stumps Justice

By Jerry Seper  
THE WASHINGTON TIMES

The Justice Department, which in at least two cases has sold computers without erasing highly sensitive information, apparently doesn't know who bought other surplus computer systems or what information they contained.

The Justice Department "was unable to tell us how much total surplus computer equipment from other U.S. attorney's offices contained sensitive information, and who the buyers were," said the General Accounting Office, which is investigating whether witnesses and undercover agents may have been placed in jeopardy.

Most of the equipment, including computer hard drives usually loaded with secret data, was sold out of the 94 U.S. attorney's offices around the nation.

The House Government Operations subcommittee on government information, headed by Rep. Robert E. Wise Jr., has been looking into Justice's handling of computer data

since disclosures last year that it sold surplus equipment containing sealed grand jury indictments and pending FBI investigations to a Lexington, Ky., businessman.

Noting that some of the released data included grand jury testimony, Mr. Wise said Justice may have failed to respond to the GAO probe in order to protect department officials from criminal contempt charges.

A source close to the subcommittee said concern that the department had been "less than aggressive" in responding to the GAO probe because of possible federal violations was not limited to Mr. Wise.

"It certainly depends on what information may have been on the systems, but prosecutions are not out of the question in the event that grand jury proceedings were compromised," said the source. "There are members with very serious concerns."

Justice spokeswoman Gina Talamona said yesterday the department was reviewing the GAO report but had no comment on it. She added,

however, that Justice "stands behind comments made" to the subcommittee last week by Assistant Attorney General Harry H. Flickinger.

Mr. Flickinger, who heads the justice management division, told the subcommittee that there was no evidence "of actual harm" from any confidential data that might have been released and that security specialists have initiated surveys nationwide to determine if there are problems in individual offices.

The GAO outlined its investigation before Mr. Wise's panel last week. It said Justice may have put some witnesses and agents in "life-and-death" situations by not ensuring that confidential information in computers was erased before they were sold.

"The highly sensitive nature of our findings precludes our being able to fully describe in open session the appalling details of what we have uncovered," said Howard G. Rhile, director of GAO's general government information systems division.

Congressional sources said there

is concern by subcommittee members that if the department doesn't know who bought the computers, it may be difficult to retrieve any sensitive information in them.

Surplus computers containing sensitive information already have turned up in Kentucky and in one other location, which investigators have declined to identify.

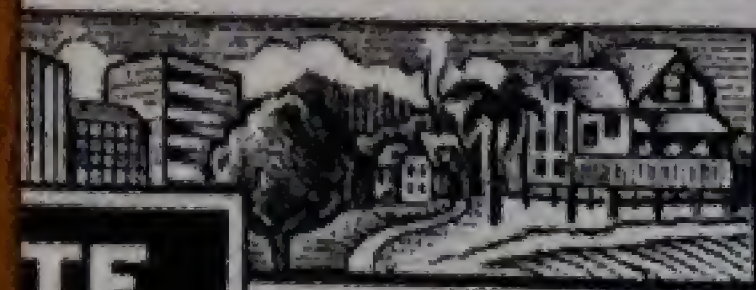
"As recently as last month, a different U.S. Attorney's Office cautioned federal and local officials that, again, sensitive data that could potentially identify agents and witnesses might have been compromised," Mr. Rhile said.

## CORRECTION

The amount of a grant rejected by the National Endowment for the Humanities for two films planned for the Columbus quincennial was incorrectly reported in yesterday's editions of The Washington Times. The correct amount was \$650,000.

WASHINGTON TIMES  
3/27/91





TE

powerful enough to overcome disincentive.

Indeed, what owners fear most at happened with a housing program started by the Apartment Association in three years ago: Tenants moving out as low-income tenants moved in. The problem is so great that earlier this year the association killed its proposal. Says a spokesman: "On the surface it looked good, but it just didn't work for us."

## Proposed Plan in Chicago Faces Racial Concerns

CONCERN OVER property values has triggered a racially charged debate in Chicago.

An effort to protect home values in Illinois legislators proposed letting Chicago property owners create special tax districts for themselves. Under the proposed legislation, oversight committees would be set up to determine the values of properties in the districts; they would then set the tax proceeds to buy properties from those who wanted to sell. It could no longer get the artificially determined prices.

Local civil-rights organizations oppose the proposal, disturbingly because the neighborhoods targeted for the legislation are presently white and are surrounded by expanding black enclaves. Chicago's black leaders say the scheme would give undue credence to the notion that when blacks move into a neighborhood, property values de-

clined. The controversy persuaded the city's acting mayor, Edwin E. Jones, to veto one version of the legislation earlier this year. But another version passed through Illinois' House of Representatives and Senate, and Gov. James Thompson is expected to sign it into law later this year.

## Prices for Condominiums Show Signs of Rebound

CONDOMINIUM prices declined in the early 1980s because of overbuilding; too many condos, not enough buyers. The glut is drying up—and prices are on the rise. In the Northeast, South and West, prices for condos have increased on average about 18% in the five quarters through the second quarter of 1987, according to the National Association of Realtors. The reason for the reversal: In many markets, the rising costs of building homes have sent developers searching for less expensive alternatives, and condos are the answer. As a result, prices have jumped. In the first quarter of 1987, prices were especially true in the Northeast, where median prices rose 0.5%, to \$65,300 from \$59,000. In the West, prices rose 5.8%, to \$100,000 from \$99,300. And in the Northeast, where more than half of all condos are now sold, prices rose 2%, to \$111,100 from \$109,000.

# For Small Firms, Perils Lie in Chapter 11

## Going to Court Often Hastens A Firm's Demise

By BUCK BROWN

Staff Reporter of THE WALL STREET JOURNAL

Thousands of small companies are rushing into bankruptcy court these days.

Many of them probably shouldn't be in such a hurry.

Spurred by the publicity of big bankruptcy filings from the likes of Texaco Inc. and LTV Corp., a record number of small companies have sought protection from creditors under Chapter 11 of the federal Bankruptcy Code in recent years. Many see Chapter 11 as the best way to address their business problems when creditors come knocking; under Chapter 11, they get protection from creditors while working out a plan of reorganization.

For many of them, that's no doubt true. They are in such dire straits that nothing short of bankruptcy protection can save them; or creditors force them into it.

But for others, Chapter 11 is a big mistake. In fact, rather than preventing small companies from failing, Chapter 11 often hastens their collapse.

### Don't Copy the Big Boys

Small companies "read about Continental Airlines and Braniff and Storage Technology, and they think that it works for them, too," says Hugh Ray, a Houston bankruptcy attorney. "The truth is Chapter 11 doesn't work for them."

Moreover, says Joseph F. Finn Jr., a Boston accountant and consultant to distressed businesses, small firms "are not aware of alternatives" to Chapter 11. "I do everything I can to keep a company out of an Eleven. I'm fanatical about it."

He should be. The chances of a small or medium-sized company successfully emerging from a Chapter 11 are abysmal—less than one in 10, some bankruptcy experts say. Of the companies with less than \$25 million in sales that filed for Chapter 11 last year, only 30% are still in business under the same ownership today, according to the Turnaround Management Association, a Chapel Hill, N.C., organization of professionals involved in turning around troubled companies. Nearly half have been

liquidated and the remainder have been wholly or partially sold. By contrast, 69% of companies with more than \$100 million in sales are still in business after filing for Chapter 11 in 1987, the association says.

Nevertheless, 17,142 companies filed for Chapter 11 last year—nearly triple the 6,298 companies that filed in 1980, says the Administrative Office of the U.S. Courts. And most were small and medium-sized: About 41% had sales of \$25 million or less and 71% had sales of \$50 million or less, says Turnaround Management.

Why is Chapter 11 less successful for small companies than it is for big companies? Experts cite a number of factors:

**HIGH COSTS:** For corporate giants, Chapter 11 is expensive but manageable. But for small companies, the costs eat up a much larger percentage of revenue.

For a company with annual sales of about \$5 million, fees for lawyers, accountants, consultants and court costs range from \$50,000 to \$250,000—depending on the complexity of the bankruptcy, says Edmond P. Freiermuth, a Santa Monica, Calif., financial consultant.

"Small companies can't withstand that kind of financial buffeting," says Gary Brooks of Allomet Partners, a New York consulting firm.

Indeed, 64% of the 61,209 companies that failed in the U.S. last year owed less than \$100,000 to creditors when they failed, according to Dun & Bradstreet Corp., the New York credit-rating firm.

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"In a big company, the CEO may not have to get involved on an everyday basis" with the Chapter 11, says Robert Seidemann, a Cleveland consultant. "In a small company, the CEO and his people become so absorbed in the Eleven that it dominates the existence of the company."

Ken Hrovat, president of Cleveland-based George Worthington Co., says managing the company's Chapter 11 took up 50% to 80% of his time during the 1½ years that the hardware and industrial supply concern was under court protection. "It's a huge administrative burden," says Mr.

## HIGHLIGHTS

**Media:** Stringer succeeds Jankowski in shake-up at CBS, Page 32.  
**Who's News:** David Race catapults CAE to the top of a new market, 34.  
**Commodities:** Livestock contracts plummet; grain prices soar, 38.  
**Campaign '88:** Dukakis campaign manager is cerebral, disciplined, 52.

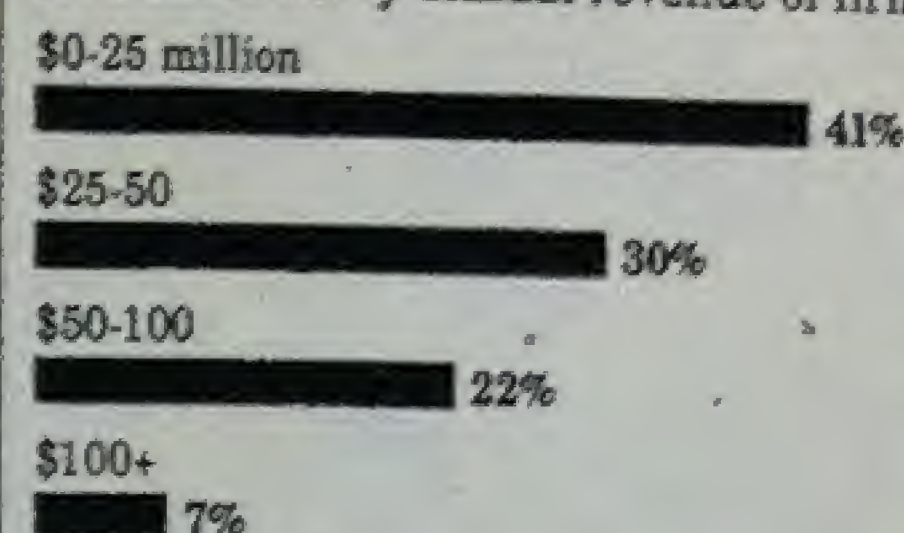
SECTION

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## Chapter 11 Filings: How Firms Fared

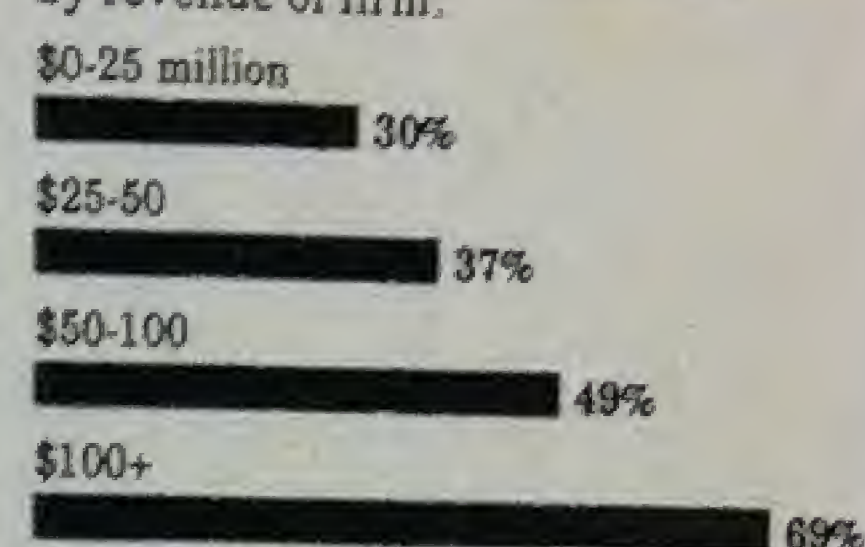
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Source: Turnaround Management Association

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Hrovat. He says it was nearly impossible to oversee the bankruptcy while trying to cut costs and revive business. "What is a very simple task becomes very complicated" in Chapter 11, he says. "It comes at you from all sides."

**BARGAINING POWER:** A small company has a minimal amount of bargaining power with creditors, and a Chapter 11 filing can weaken its position still further. That's because the Bankruptcy Code gives creditors specific legal rights. Outside of a bankruptcy court setting, for example, creditors are cautious about doing anything that might force a company out of business and provoke lender-liability lawsuits. But once a company files for Chapter 11, creditors can seek a court-imposed liquidation to protect their investments—and they frequently do so.

Moreover, because a small company usually has only a handful of secured creditors, it is easier for them to take control of a bankruptcy than it is in the case of a big firm, where hundreds of creditors must agree on a single plan of action.

Michael Lissner, a Chicago consultant, learned that lesson the hard way. In 1985, he put his family's metals-refining company into Chapter 11, "thinking it would do some good" in working out a reorganization plan. Instead, he says, he "lost control" of the company in Chapter 11 and creditors liquidated the company. Mr. Lissner says the bankruptcy filing diminished his control of the company by adding layers of bureaucracy. "The judge called the shots and the attorneys called the shots," he says.

**MARKET DISRUPTION:** Big compa-

nies face limited disruption in their businesses when they file for Chapter 11; customers kept flying Continental Airlines, for instance, and buying Texaco gas.

But for small companies, the negative publicity can create major problems because customers, suppliers and executives are quicker to jump ship. "The smaller, more closely held company's business is fragile, and its customer base is fragile," says Michael Silverman, a Skokie, Ill., consultant. "It breaks—and a Chapter 11 can be the thing that breaks it."

Mike Marcucci, president of Alpha Banking Co., says when the Chicago banking concern was struggling in 1979, he persuaded creditors to give Alpha time to reorganize out of court because filing for Chapter 11 would have done irreparable damage to the company. "Half of the business would have left," says Mr. Marcucci. By getting creditors to agree to stretch out repayment terms, Alpha returned to profitability and "no one realized how close to going under we were," he says.

**MORE OPTIONS:** The reasons small companies shouldn't file for bankruptcy aren't all negative, however. Small-business specialists also say they have more options than their bigger brethren.

That's because big public companies—with hundreds of creditors, thousands of employees, and perhaps hundreds of thousands of shareholders—often have no choice but to seek court protection to sort out everyone's claims.

But for small companies, an out-of-court settlement is a viable alternative. For one thing, small companies have a more personal relationship with creditors and suppliers, making it easier to reach an agreement. Moreover, creditors frequently are more willing to gamble on a small company because they know a Chapter 11 filing could force the company out of business or could end up costing them as much as they would recover.

Still, many small companies won't make the sacrifices necessary to reorganize out of court. Creditors may insist on the company seeking professional management help—a move that forces a small-business owner to admit his own management deficiencies. Moreover, many owners are reluctant to reveal financial and other business information even to other family members—let alone to creditors.

"If we have a customer coming to us with the problems, rather than us having to unearth the problems, that makes for a vast difference" in whether the bank is willing to work out problem loans, says Richard Sullivan, senior vice president of Shawmut Worcester County Bank in Worcester, Mass.

## Judging a Book by Its Cover Gets Tougher As Blurbs Become a Publishing Obsession

By CYNTHIA CROSSEN

Staff Reporter of THE WALL STREET JOURNAL

"Swim With the Sharks," the current best seller by businessman Harvey Mackay, must be some incredible book. No fewer than 44 luminaries, from Billy Graham to Robert Redford, provided words of extravagant praise for the blurbs on the book's jacket and inside pages.

It would be nice to think those 44 people picked up Mr. Mackay's book simply because the subject tantalized them, became increasingly enchanted with it and finally were moved to write an unsolicited endorsement. But that would be wrong.

In fact, Mr. Mackay chased those quotes like an aggressive salesman. "We don't make cold calls at my company," he says. "We dig our well before we're thirsty and we prepare to win. Most of these were friends, but if I didn't know someone, I got an introduction through a friend."

### Power of the Blurb

Though Mr. Mackay's experience with blurbs may not be typical, it's probably the envy of many authors. A favorable mention from a household name can be used to

Another frequent blurb, David Leavitt, says his editor sent out 50 to 90 copies of his first book, "Family Dancing," for blurbs. "We got three blurbs, and all of them were cajoled," Mr. Leavitt says. He says he has provided some 20 blurbs in the past four years, most of them for people with whom he has some connection. "The thing about blurbs is they just aren't very democratic," he adds. "They can't be, and it's silly to pretend they can."

Besides being undemocratic, many blurbs are completely unspontaneous, negotiated with the care of a contract, some publishing officials say. John Silber, president of Boston University, offered two different versions of blurbs for use on a book by Speaker of the House Jim Wright, "Reflections of a Public Man"—a book now embroiled in controversy over the ethics of Mr. Wright's financial arrangements.

One of Mr. Silber's quotes said, among other things, "All Americans should read this book, especially those who are tempted by cynicism." The second said, "All Americans should read this book, but especially those whose faith in democratic institutions is flagging." But here's what

Says author Joe McGinniss, who occasionally writes blurbs: "Some people like to advertise the fact that they're too moral or ethical to dabble in this distasteful practice. But everyone makes exceptions if a personal friend is involved." He suggests that "full disclosure of the blurb's relationship with the blurbee be mandatory."

Most publishing officials, though, close their eyes to the implications of friends writing blurbs for friends.

"There's nothing more wonderful than a testimonial by an established author," says Stuart Applebaum, senior vice president of Bantam Doubleday Dell Publishing Group Inc. "One just shouldn't question the motives too closely."

## Sales Climbed For Partnerships In 2nd Quarter

### Public Limited Partnership Sales

(Dollar amounts in millions)

	1986	1987	PERCENT
2nd QTR	2nd QTR	2nd QTR	CHANGE
Real			



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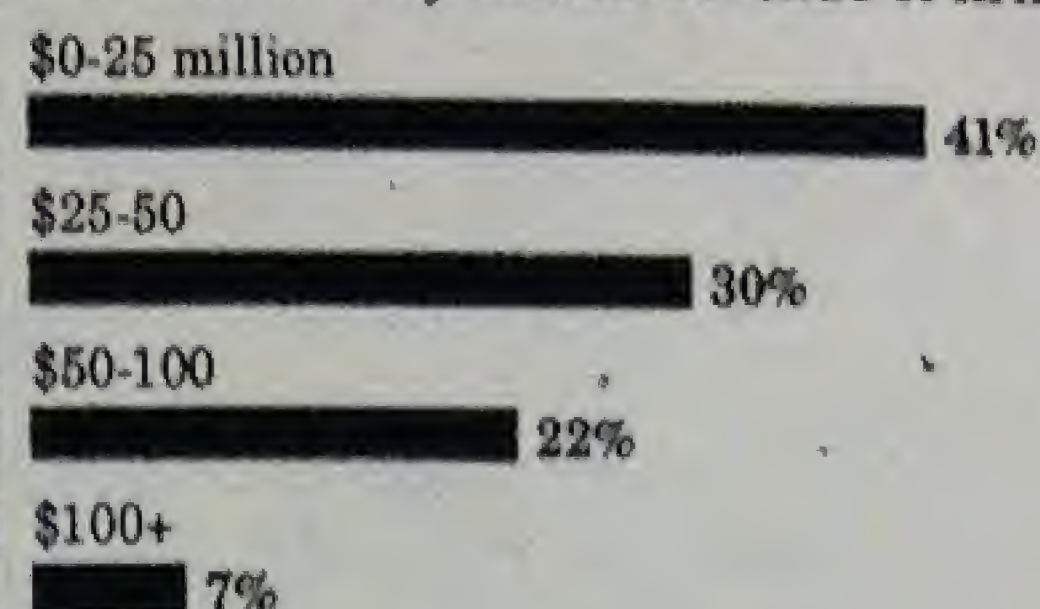
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## Chapter 11 Filings: How Firms Fared

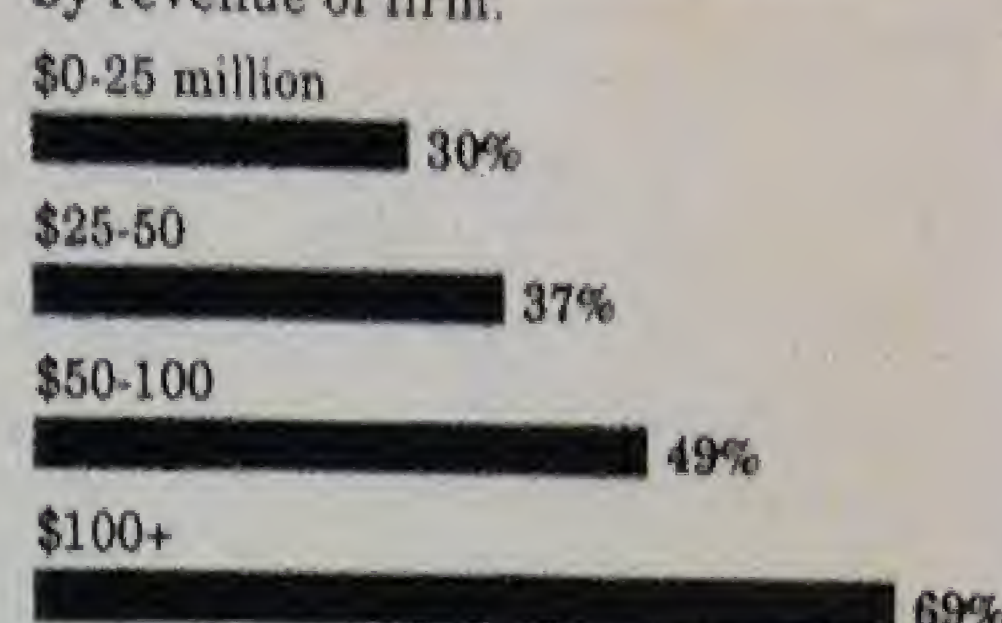
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nies face limited disruption in their businesses when they file for Chapter 11; customers kept flying Continental Airlines, for instance, and buying Texaco gas.

But for small companies, the negative publicity can create major problems because customers, suppliers and executives are quicker to jump ship. "The smaller, more closely held company's business is fragile, and its customer base is fragile," says Michael Silverman, a Skokie, Ill., consultant. "It breaks—and a Chapter 11 can be the thing that breaks it."

Mike Marcucci, president of Alpha Banking Co., says when the Chicago banking concern was struggling in 1979, he persuaded creditors to give Alpha time to reorganize out of court because filing for Chapter 11 would have done irreparable damage to the company. "Half of the business would have left," says Mr. Marcucci. By getting creditors to agree to stretch out repayment terms, Alpha returned to profitability and "no one realized how close to going under we were," he says.

**MORE OPTIONS:** The reasons small companies shouldn't file for bankruptcy aren't all negative, however. Small-business specialists also say they have more options than their bigger brethren.

That's because big public companies—with hundreds of creditors, thousands of employees, and perhaps hundreds of thousands of shareholders—often have no choice but to seek court protection to sort out everyone's claims.

But for small companies, an out-of-court settlement is a viable alternative. For one thing, small companies have a more personal relationship with creditors and suppliers, making it easier to reach an agreement. Moreover, creditors frequently are more willing to gamble on a small company because they know a Chapter 11 filing could force the company out of business or could end up costing them as much as they would recover.

Still, many small companies won't make the sacrifices necessary to reorganize out of court. Creditors may insist on the company seeking professional management help—a move that forces a small-business owner to admit his own management deficiencies. Moreover, many owners are reluctant to reveal financial and other business information even to other family members—let alone to creditors.

"If we have a customer coming to us with the problems, rather than us having to unearth the problems, that makes for a vast difference" in whether the bank is willing to work out problem loans, says Richard Sullivan, senior vice president of Shawmut Worcester County Bank in Worcester, Mass.

## Judging a Book by Its Cover Gets Tougher As Blurbs Become a Publishing Obsession

By CYNTHIA CROSSEN

Staff Reporter of THE WALL STREET JOURNAL

"Swim With the Sharks," the current best seller by businessman Harvey Mackay, must be some incredible book. No fewer than 44 luminaries, from Billy Graham to Robert Redford, provided words of extravagant praise for the blurbs on the book's jacket and inside pages.

It would be nice to think those 44 people picked up Mr. Mackay's book simply because the subject tantalized them, became increasingly enchanted with it and finally were moved to write an unsolicited endorsement. But that would be wrong.

In fact, Mr. Mackay chased those quotes like an aggressive salesman. "We don't make cold calls at my company," he says. "We dig our well before we're thirsty and we prepare to win. Most of these were friends, but if I didn't know someone, I got an introduction through a friend."

### Power of the Blurb

Though Mr. Mackay's experience with blurbs may not be typical, it's probably the envy of many authors. A favorable mention from a household name can be used to

Another frequent blurber, David Leavitt, says his editor sent out 50 to 90 copies of his first book, "Family Dancing," for blurbs. "We got three blurbs, and all of them were cajoled," Mr. Leavitt says. He says he has provided some 20 blurbs in the past four years, most of them for people with whom he has some connection. "The thing about blurbs is they just aren't very democratic," he adds. "They can't be, and it's silly to pretend they can."

Besides being undemocratic, many blurbs are completely spontaneous, negotiated with the care of a contract, some publishing officials say. John Silber, president of Boston University, offered two different versions of blurbs for use on a book by Speaker of the House Jim Wright, "Reflections of a Public Man"—a book now embroiled in controversy over the ethics of Mr. Wright's financial arrangements.

One of Mr. Silber's quotes said, among other things, "All Americans should read this book, especially those who are tempted by cynicism." The second said, "All Americans should read this book, but especially those whose faith in democratic institutions is flagging." But here's what

Says author Joe McGinniss, who occasionally writes blurbs: "Some people like to advertise the fact that they're too moral or ethical to dabble in this distasteful practice. But everyone makes exceptions if a personal friend is involved." He suggests that "full disclosure of the blurber's relationship with the blurbee be mandatory."

Most publishing officials, though, close their eyes to the implications of friends writing blurbs for friends.

"There's nothing more wonderful than a testimonial by an established author," says Stuart Applebaum, senior vice president of Bantam Doubleday Dell Publishing Group Inc. "One just shouldn't question the motives too closely."

## Sales Climbed For Partnerships In 2nd Quarter

### Public Limited Partnership Sales

(Dollar amounts in millions)

	1986	1987	PERCENT
2nd QTR.	2nd QTR.		CHANGE
Real			



# LEGAL TIMES

LAW AND LOBBYING IN THE NATION'S CAPITAL

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## Watching the Watchdog

*Veteran Justice Department Ethics Officer Faces Questions About His Own Actions*

BY GREG RUSHFORD

For 14 years, Michael Shaheen Jr. has toiled mostly in obscurity as the Justice Department official in charge of policing department employees' ethics and conduct. His authority—and his staying power—have been largely attributable to his reputation as a watchdog unafraid to stand up to attorneys general and even presidents.

But now, Shaheen's own conduct is coming under scrutiny as he finds himself criticized as a politically unaccountable bureaucrat whose investigations of late have been characterized by heavy-handedness and inaccuracy.

The only person ever to hold the post of counsel to the Justice Department's Office of Professional Responsibility, Shaheen, 49, is charged with probing allegations of misconduct on the part of department employees. His vast domain ranges from prosecutors in the 94 U.S. attorney's of-

fices nationwide, to Justice officials in Washington, to federal law-enforcement agents in the field.

Shaheen, a wealthy former mayor of a small Mississippi town, doesn't seek publicity, and he doesn't receive much.

On a number of fronts, however, critics are raising questions that could thrust Shaheen into an uncomfortable spotlight. Among them:

- Shaheen's findings on Roger Pilon—a former high-ranking Justice Department appointee who was investigated and cleared on charges of leaking classified data to South Africa—have been characterized as a smear. Shaheen's role in the Pilon affair is the subject of a departmental review.

- A Senate staff report calls into question Shaheen's political independence in his probe of allegations against the Justice Department by Inslaw Inc., a D.C.-based



The OPR's Michael Shaheen Jr. faces critics on several fronts.

SEE SHAHEEN, PAGE 18

SHAHEEN FROM PAGE 1

computer company. In contrast to Shaheen's exoneration of top officials, a federal judge has blasted the department for conducting a vendetta against Inslaw.

- Defense lawyers and other criminal-law experts fault Shaheen for not aggressively pursuing the 50 to 60 allegations of prosecutorial abuse he receives each year. In recent years, Shaheen apparently has not recommended the firing of a single federal prosecutor for abusing his or her position, even those cited for misconduct by a federal judge.

- Some members of Congress complain that, despite his written assurances in the 1970s that he would share information with congressional overseers, Shaheen has stonewalled Congress on several matters, including the Inslaw controversy.

Shaheen, whose passion for secrecy is reflected in his refusal to release his résumé or photos, turned down repeated requests for an interview. But his supporters claim Shaheen's critics have axes to grind, and they defend Shaheen as a skilled and conscientious lawyer.

"He is outstanding, dispassionate, and fair," says Arnold Burns, a former deputy attorney general and a partner in New York's Proskauer Rose Goetz & Mendelsohn.

Victoria Toensing, a partner in the D.C. office of New York's Hughes Hubbard & Reed and a former deputy assistant attorney general in the Justice Department's Criminal Division, describes Shaheen as "one of the most respected people in the Justice Department."

Shaheen, a graduate of Nashville's Vanderbilt University School of Law, went to work in the department's Civil



Roger Pilon (left) and his lawyer, Matthew Myers (right), say Michael Shaheen Jr. treated Pilon unfairly. They are demanding an apology.



Rights Division in 1973 after a three-year simultaneous stint as mayor and municipal judge of Como, Miss., a town with a population of 1,300 not far from the Tennessee border. In 1975, he became counsel for intelligence to then Attorney General Edward Levi.

Later that year, Levi and then Deputy Attorney General Harold Tyler Jr. created the Office of Professional Responsibility (OPR). Shaheen was tapped to run the office, and has served in that capacity ever since.

The beneficiary of a family trust fund, Shaheen currently has assets in the range of \$900,000 to \$2.5 million, according to his financial disclosure forms. In addition to those assets, he is a general partner in a real-estate venture that owns a 76-unit garden apartment complex in Arlington, Va., which is assessed for tax purposes at \$3.3 million.

"He had a good reputation, and we wanted somebody who would be unafraid to go after Watergate-type abuses by people in high places," recalls Tyler, a for-

mer U.S. district judge for the Southern District of New York who is now a partner in New York's Patterson, Belknap, Webb & Tyler.

Each year, the OPR—which now has a staff of 28 and a budget of \$2.3 million—investigates the roughly 300 to 400 misconduct complaints brought against Justice Department employees.

Shaheen occasionally makes a splash. In 1980, he blasted President Jimmy Carter's White House for failing to cooperate with a department probe of brother Billy Carter's involvement with Libya. And Shaheen's 1988 investigation of then Attorney General Edwin Meese III is believed to have sped Meese's exit from the department.

Only last week, according to *The Washington Post*, Shaheen differed publicly with Attorney General Richard Thornburgh over the investigation into a leak of last year's Federal Bureau of Investigation probe regarding Rep. William Gray III (D-Pa.).

One explanation for Shaheen's longevity may be his timing. His negative report of Carter was leaked prior to the November 1980 elections, but did not officially come out until President Ronald Reagan's administration was starting to take shape. His Meese report was actually released after Meese had left office.

### Convicting by Press Leak

Perhaps Shaheen's most pressing current concern is the fallout over his work on the Pilon investigation.

In January 1988, Pilon, then head of the Justice Department's Office of Asylum Policy and Review, was a subject of a counter-intelligence investigation. Pilon

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Attorney General  
PR/IN/70-02

# The New York Times Magazine

MARCH 25, 1990 / SECTION 6

## BUSH'S CABINET WHO'S UP WHO'S DOWN

By William Safire





The absence of  
creative tension  
has generated  
little excitement or  
innovation: no  
stewing, all  
stewarding.

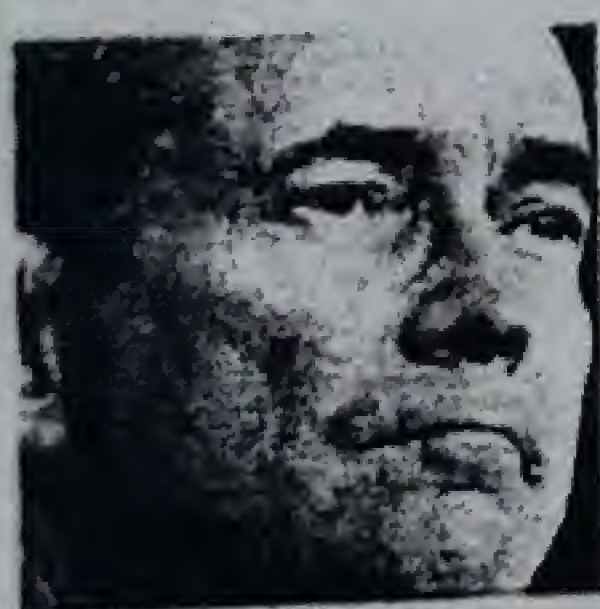
## DICK THORNBURGH

Attorney General

Nobody's press is worse than Dick Thornburgh's. He ranks somewhere down around former Attorneys General John Mitchell, William Saxbe and Ed Meese in the estimation of those who cover him because he is obsessed with leaks and has isolated himself behind a palace guard of Pennsylvania cronies; worse, his blunders on several nominations for assistants made him gun-shy to political fire from the right.

That was not how it was supposed to be. On paper, Thornburgh was a fine appointment, coming in after Meese and held over by Bush. A former Criminal Division chief and a popular Governor of Pennsylvania, this man had all the credentials; nobody in the Cabinet has fallen farther faster.

Too much political sensitivity is bad politics. A few months ago, I tried to get an answer out of Justice on a drug-policy matter and gave up when nobody would call back — but weeks



later, when I called the Austrian Embassy to ask if the Attorney General had toasted Kurt Waldheim at a dinner there, a Thornburgh press aide was on the phone within a half-hour. (The A.G. had toasted only "Austria's leaders," according to a nervous embassy source.) The emphasis within Justice now is on fixing the A.G.'s flaking image, hardly a sign of strength. When both Oregon senators asked for his help in getting a judgeship for a jurist under unfair fire from antipornographers, Thornburgh was fearful of antagonizing the far right; it was the tough-minded Sununu, not worried about flak from the right, who delivered.

Attorney General  
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To counter the widespread wonderment at the failure of the holdover Attorney General to get on top of his job, Sununu, the chief of staff, insists Thornburgh is getting bad press because he is doing the dirty work to get good results.

True, Thornburgh invited fire by circumventing his publicity-hungry Office of Professional Responsibility in one leak-plugging case. Sununu's defense, however, does not stand up: the criticism comes from all sides. As one loyal Republican puts it in wonderment, "He's not that good to have such a bad press."

Losers are shunned. Thornburgh confidently announced he would accompany the President to the Cartagena drug summit, but when the list was put out by the White House, the Attorney General's name was not included. The significance of the President's rebuff was not lost on Thornburgh's Cabinet colleagues.



THE WASHINGTON POST

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Monday, April 23, 1979

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# Crime Study Zeroes in on Repeaters

By Thomas Morgan

Washington Post Staff Writer

Persons who have been arrested for burglary, robbery and larceny have about a 60 percent chance of again being arrested for crimes, according to a study released today. The study was financed by the Law Enforcement Assistance Administration.

One of 17 in a \$1.5 million four year project conducted by the Institute for Law and Social Research, the study was designed to help law enforcement officials predict factors that lead to repeat offenses, so that habitual offenders can be identified for career criminal programs.

"Everybody is trying to reduce crime through . . . keeping the repeat offenders off the streets," said William Hamilton, president of the institute.

"What this study shows is that if the career criminal programs are to be effective, there has to be a research base on how to target for the recidivist group," Hamilton said. "The study shows there are some clues you can use to identify such defendants, including how recent their crimes are, the number of crimes, the use of hard drugs and the age of the defendants.

Data for the research came from a study of 4,703 adults arrested for serious misdemeanors or felonies in the District of Columbia from Jan. 1, 1971, to Aug. 31, 1975. During that time, adults accounted for 11,052 arrests.

The study showed:

- A small proportion of the defendants accounted for a large share of arrests. About 30 percent of the defendants were arrested two or more times and accounted for 56 percent of the total arrests. Almost one-fourth of the 11,052 arrests involved only 7 percent of the defendants in the study group.

- Youthful offenders should be the target of efforts to prevent recidivism. Two-thirds of those arrested again were under 30 years old and 31 percent of repeaters were between the ages of 20 to 24. Researchers said law enforcement officials should have access to juvenile records to help identify repeaters and place them in programs at an earlier age. Currently, juvenile records of offenders are not available to police once the person reaches 18 and is considered an adult. At that time, they begin a new criminal record.

- An employed defendant was less likely to be arrested again. "Perhaps a lack of a job leads to more crime to support oneself, or perhaps lack of a job 'indicates a tendency to adopt an illegal life style,' the study said.

- Drug use also was consistently a reliable indication with repeaters. Defendants who used opiates, including heroin, were more likely to commit more crimes than those arrested for possession of marijuana.

- Among those who did become habitual offenders, the study found a tendency to switch crimes, alternating between felonies and misdemeanors. "This suggests that career criminal programs that target only persons arrested for a felony may be missing many serious repeat offenders," the study said. The study gave no support for the concept of a professional robber or burglar.